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American Legion 2011 Annual Convention
Small Business Workshops

SDVOSB Joint Ventures

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What is a Joint Venture?

- Contractor Team Arrangement
- SBA Definition

“[A]n association of individuals and/or concerns with interests in any degree or proportion by way of contract, express or implied, consorting to engage in and carry out no more than three specific or limited purpose business ventures for joint profit over a two year period, for which purpose they combine their efforts, property, money, skill, or knowledge, but not on a continuing or permanent basis for conducting business generally.”

- Mentor/Protégé Programs

Advantages of a Joint Venture

- One face to the Govt, yet the Govt receives the resources of 2 (or more) companies to perform the work
- Minority member can exert more control over contract performance than if it were a subcontractor
- Small business gets “prime” past performance record

Disadvantages of a Joint Venture

- Members share control; former “prime” gives up substantial control
- Joint and several liability (if partnership)
- Govt may be concerned there is no single point of contact
- More difficult to terminate than other CTAs

Typical Characteristics of a Joint Venture

- Co-Management
- Sharing of Profits and Losses
- Limited Duration
- A separate legal entity
 - ✓ Partnership, LLC or Corporation
- Populated

Characteristics of an SBA Joint Venture

- JV agreement must be in writing
- JV may be informal (by agreement)
- JV may be formal (LLC or corporation)
- JV may be populated or unpopulated
- Can only receive 3 contract awards in 2 year period

SBA Joint Venture Special Considerations

- Affiliation
 - ✓ General rule is that members are affiliated
 - ✓ Size of JV determined by aggregating the revenues or employees of all members
- Exceptions to Affiliation
 - ✓ SBA-approved Mentor/Protégé JVs
 - ✓ Both members are small under NAICS code **and**
 - Procurement is a bundled requirement **or**
 - Procurement valued more than \$10 million if size standard is employee-based or procurement's value is more than ½ of a revenue-based size standard

SBA Joint Venture Special Considerations cont.

- Limitations on Subcontracting restrictions apply
- Special “size” accounting
 - ✓ For size purposes, a small business concern must include in its receipts or in number of employees its proportionate share of joint receipts or joint employees, as applicable
- JVs permitted under SBA’s 8(a), HUBZone, Women-Owned and SDVOSB Programs
- Special rules for each program, especially 8(a) Program

SBA SDVOSB Joint Ventures

- SDVOSB must be Managing Member
- Employee of SDVOSB must be Project Manager
- SDVOSB must get 51% of the profits
- JV agreement must set forth the respective responsibilities of each Member with regard to performance
- SDVOSB subcontractors may be used to meet Limitations on Subcontracting requirements

Questions?